

CALIFORNIA UNCLAIMED PROPERTY History of Legislative Changes

Background

- In 1959, California passed an unclaimed property law. All 50 states as well as Washington, D.C. and Puerto Rico have such a statute.
- The idea behind the unclaimed property law is that it is better for lost property to be in the hands of a dependable third party – the state – than in private hands, where it could be lost during a merger, bankruptcy or sale; drawn down by service fees; or simply used by the company for their own private profits, either by an unwillingness to find the owner or through outright confiscation of the property.
- Companies are required to turn property to the state after three years (in most cases) in which the account holder has not heard from the owner AND attempts to contact the owner have been unsuccessful.

Legislative Changes

1959 – Ch. 1809 created the Unclaimed Property Act.

1977 – Ch. 648 changed the escheat period for most properties changed from 15 years to 7 years. From 1977 to the early 1980s, the number of accounts received increased gradually from 150,000 to 200,000. Accounts greater than \$25 were advertised in newspapers.

1978 – Ch. 815 provided an interest rate of 5 percent compounded annually or the current rate of deposits held in the Pooled Money Investment Account, whichever was lower, to the amount of any claim paid on properties held after January 1, 1977. This chapter also removed the 1% of the total claim amount service fee charged by the State for managing and maintaining the account.

1978 – Ch. 1184 established the unclaimed property locator unit.

1983 – Budget item 0840-001-0001 repealed and de-funded the Controller's locator unit.

1989 – Ch. 286 decreased the escheat period for most properties changed from 7 to 5 years.

1990 – Ch. 450 changed the escheat period for most properties from 5 to 3 years. Number of accounts reported increased to 450,000. Advertising individual accounts as a result became cost prohibitive.

1993 – Chapter 692 ended the continuous appropriation for costs associated with operating the unclaimed property program and converted the program's funding to an annual appropriation.

1993 – Budget item 0840-001-001 prohibited the Controller from using appropriated moneys to provide published or mailed notice of unclaimed property. From 1960-1993, notices were mailed to all owners' last known address, and names were published in newspapers.

1994 – Ch. 692 mandated that the Controller's Office sell securities within one year of receipt. Also authorized up to \$35,000 of appropriations to pay for costs of mailing notices.

1994 – Budget item 0840-001-001, provision 6(a) provided up to \$35,000 to pay for costs of mailing notices and provision 6(b) provided up to \$150,000 for publications of notice. No photo or elected official's name could be used in publication or notice.

1996 – Budget item 0840-001-001, provision 5(a), provided the Controller authority to publish notice in any manner reasonable, however no money could be redirected from audit funding, and no photos or elected officials names could be used in publication. Provision 5(b) stated no funds may be used to provide information to the public other than to holders, except for informational announcements to news media or electronic bulletin boards.

1996 – Ch 762 required that the Controller's Office must sell securities within two years of receipt.

2000 – Ch. 16 precluded the SCO from selling military awards and decorations found in safe deposit boxes. Instead, they are held in trust at the CA National Guard Museum and Resource Center.

2000 – Budget item 0840-001-001, provision 5(b) modified to add that no more than \$15,000 per year could be spent to inform the public about the program in activities already organized by the Controller for this purpose. This did not apply to sending individual notices to owners as required by law. This provision remains in effect today.

2000 – Ch. 924 allowed the Controller to conduct the sale of all escheated property, including safe deposit boxes, by electronic media or through the Internet.

2000 – Ch. 267 added amnesty program for holders. Holders to deliver delinquent unclaimed property to the State Controller's Office without interest charges from January 1, 2001 through December 31, 2001. Ch.22 of 2002 extended amnesty to December 31, 2002.

2002 – Ch. 1124 required that, effective September 30, 2002, any interest paid on unclaimed property claims shall be computed as simple interest vs. compound interest

annually. Any interest paid shall be added at the rate of 5% or the bond equivalent rate of 13-week US Treasury bills, whichever is lower.

2002 – Ch. 813 required holders to change notices to owners to include a statement, in bold type or in a font at least 2 points larger than the rest of the notice, to alert owners that their account has had no activity for two years and that after 3 years, the account will be transferred to the State.

2003 – Ch. 116 modified the definition of gift certificate to include gift card. Prohibited the sale of any gift certificate or gift card that contains a service fee. Gift card subject to the above provisions of the Civil Code with no expiration date are excluded from unclaimed property escheatment requirements.

2003 – Ch. 304 established escheat periods for unclaimed proceeds payable or distributable in the course of demutualization. Shortens the time period for escheatment of sums payable directly by a bank or financial institution on a certified check or similar written instrument from 5 years to 3. Shortens the escheatment time period for wages or salaries from 3 years to 1. Allows for the waiver of 12% interest charged for late delivery of unclaimed property if such failure is due to reasonable cause.

2003 – Ch. 228 increased the time allowed to consider a claim for unclaimed from 90 days to 180. This chapter also eliminated the interest payment on claims paid after August 11, 2003 that were not approved prior to July 1, 2003. Interest approved prior to July 1, 2003 paid in accordance with the prior interest provisions. Finally, Ch. 228 authorized holders who remit unclaimed property payments of \$20,000 or more by electronic funds transfer to now use Fedwire without submitting prior justification or approval by the Controller's Office.

2004 – Ch. 520, effective January 1, 2005, gave holders of unclaimed property the ability to register securities in uncertificated form in the name of the Controller. Prior to this, holders were required to provide a duplicate stock certificate to the Controller's Office.

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